



Billing Code 3410-05-P

DEPARTMENT OF AGRICULTURE

Farm Service Agency

Farm Loan Pilot Projects

AGENCY: Farm Service Agency, USDA.

ACTION: Notice and request for comment.

SUMMARY: The Farm Service Agency (FSA) will conduct pilot projects of limited scope and duration to evaluate processes and techniques that may improve the efficiency and effectiveness of the Farm Loan Programs (FLP) real estate loans (also referred to as “farm ownership loans”), operating loans, emergency loans, and administrative provisions, as required by the Agricultural Act of 2014 (the 2014 Farm Bill). This notice provides an opportunity for the public to provide comments for FSA to consider for pilot projects. FSA expects to conduct at least two to three pilot projects.

DATES: We will consider comments that we receive by **[Insert date 30 days after date of publication in the FEDERAL REGISTER]**.

ADDRESSES: We invite you to submit comments on this notice. In your comment, include volume, date, and page number of this issue of the Federal Register. You may submit comments by any of the following methods:

- Federal eRulemaking Portal: Go to <http://www.regulations.gov>. Follow the online instructions for submitting comments.
- Mail: Carrie L. Novak, Senior Loan Officer, LMD DAFLP FSA, US Department of Agriculture, 1400 Independence Avenue, SW, Stop 0522, Washington, DC 20250-0522.

Comments will be available for viewing online at <http://www.regulations.gov>. In addition, comments will be available for public inspection at the above address during business hours from 8 a.m. to 5 p.m., Monday through Friday, except holidays.

FOR FURTHER INFORMATION, CONTACT: Carrie Novak; phone: (202) 720-1643.

Persons with disabilities who require alternative means for communication of information for this notice (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice).

#### SUPPLEMENTARY INFORMATION:

##### Background

FSA makes and services a variety of direct and guaranteed loans to farmers who are temporarily unable to obtain private commercial credit. FSA also provides direct loan customers with credit counseling and supervision to enhance their opportunity for success. FSA loan applicants are often beginning farmers and socially disadvantaged farmers who do not qualify for conventional loans because of insufficient net worth or established farmers who have suffered financial setbacks due to natural disasters or economic downturns. FSA loans are tailored to a customer's needs and may be used to buy farmland and to finance agricultural production.

FSA makes direct and guaranteed operating and farm ownership loans to eligible farmers and ranchers. Under its direct operating loan program, FSA also makes loans to youths to establish and operate income-producing projects of modest size in connection with their participation in 4-H clubs, Future Farmers of America, and similar organizations. Guaranteed loans are made through private lenders with a guarantee of up

to 95 percent of the loss of principal and interest. Direct and guaranteed operating loans can be used to purchase livestock, equipment, feed, seed, and other material essential to a farm or ranch operation.

Direct and guaranteed farm ownership loan funds may be used to purchase land, construct buildings, or make farm improvements. Guaranteed operating and farm ownership loans may also be used to refinance debt. FSA also provides assistance to beginning and socially disadvantaged farmers and ranchers under its Direct Farm Ownership Down Payment Loan Program, and provides retiring farmers the opportunity to transfer their land to future generations of farmers and ranchers.

FSA also targets a portion of its direct and guaranteed operating loan and farm ownership loan funds to beginning farmers and ranchers and socially disadvantaged applicants.

Emergency loans are available to established farmers and ranchers who have suffered losses as a result of a natural disaster or quarantine.

#### FLP Pilot Projects

Section 5302 of the 2014 Farm Bill amends the Consolidated Farm and Rural Development Act (also known as the CONACT) to provide the Secretary authority to conduct pilot projects of limited scope and duration to evaluate processes and techniques that may improve the efficiency and effectiveness of real estate loans, operating loans, emergency loans, and administrative provisions (7 U.S.C. 1983d). Processes and techniques can be as specific as the manner in which applications for assistance are

submitted (for example, through electronic submissions), or as broad as more effective methods of outreach on programs for existing and potential customers.

FSA is constantly identifying ways to improve services and is interested in hearing what kinds of pilots our customers, stakeholders, and other members of the public want to see. FSA wants to hear how we can better serve our customers and understand their needs. The following are examples of initiatives that FSA has already taken to improve efficiency and effectiveness for FLP.

One way that FSA has made improvements is by expanding credit opportunities for farmers and ranchers with the Microloan Program. A Microloan is a small direct farm operating loan with a shortened application process and reduced paperwork. In addition, modifications were made to the experience requirement to allow for mentors and apprenticeships. This has already helped farmers.

FSA has recently released a recent package of technology enhancements that include Web access for handheld and smartphone users, as well as a more efficient and timely option for receiving news and critical program information. The technology improvements will allow users of FSA information to gain access to easy-to-read data, including key features such as loan deficiency payment rates, posted county prices, FSA news releases and AskFSA, the agency's online self-help knowledge base.

A recently revised policy allows FSA to issue farm loan guarantees to nontraditional lenders. A nontraditional lender is one that does not typically hold deposit accounts and is not subject to oversight and supervision. The most common nontraditional lenders are those who are funded under the U.S. Department of Treasury's

Community Development Financial Institutions Fund. Nontraditional lenders can originate, hold and service guaranteed loans. The goal is to improve and maintain the quality of rural communities. This goal is accomplished by assisting rural communities, individuals, groups, and support organizations with viable rural development enterprises. FSA has worked with traditional lenders in the past, but is now expanding to work with both traditional and nontraditional lenders.

FSA is currently operating a pilot project in digital signatures. The Electronic Signatures in Global and National Commerce Act (Pub. L. 106-229) ensures that a signature, contract, or other record relating to such transaction may not be denied legal effect, validity, or enforceability solely because it is in electronic form. It is an FSA policy decision whether a certain electronic format is practicable for a certain transaction.

This digital signature pilot will allow FSA to evaluate the use of this available technology, potential cost and time savings, and determine whether it is practical for FLP and Farm Programs (FP) purposes. This will assist FSA to develop policy to not only allow the use of digital signatures by FSA officials, but by producers, FLP applicants, borrowers, and lenders as well. The pilot is to be conducted in Indiana and Texas; digital signatures are only authorized for certain FLP and FP documents.

FSA is requesting comments that will be used to develop recommendations for pilot projects that will meet the intended goals to evaluate processes and techniques that may improve the efficiency and effectiveness of real estate loans, operating loans, emergency loans, and administrative provisions. The pilot projects may diverge from program regulations at 7 CFR parts 761 through 767, but the pilot projects must be

consistent with the existing statutory provisions governing Real Estate Loans, Operating Loans, Emergency Loans, and Administrative Provisions (see 7 U.S.C. Chapter 50, subchapters I through IV for the details of these CONACT provisions). For example, a suggestion could be for projects that provide financial and management assistance to eligible family farmers for authorized loan purposes. Additional information on FLP policies and procedures is available in FSA handbooks 1-FLP through 6-FLP at <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=lare&topic=hbkb>.

The following questions provide examples of loan making and servicing concerns that may be helpful to consider for your comment:

- How can FSA better reach and serve veterans, especially returning veterans who plan to start or return to farming?
- How can FSA encourage lending for urban agriculture?
- What pricing models can be developed or expanded to assist loan officers in lending to producers who sell traditional and specialty agricultural products at non-traditional markets?
- What types of borrower training systems can be explored to provide long term economic benefits to agricultural producers?
- Should FSA explore the use of credit scores for small, streamlined loan applications?
- Are there alternative lenders and financiers (grocery chains, implement and feed dealers, community development organizations) that could partner and improve service to joint customers as well as strengthen their own

business needs?

- What type of consulting service could be developed to assist existing borrowers to be more productive and successful?
- How can the role of a mentor be expanded beyond microloans?
- What are other methods that an applicant can successfully prove experience and managerial ability?

In your comment it will be most helpful to:

- Explain the proposed pilot project in as much detail as possible, including the issue or concern to be addressed and the intended benefit(s);
- Provide specific examples to illustrate your points;
- Describe whether the project is intended to benefit any particular region, type of agricultural producer (organic, direct market, wholesale, etc.), or end customer; and
- Outline any potential costs or costs savings and the basis for the assumptions.

At the conclusion of the comment period, FSA staff will review and consider all of the suggestions in the comments.

As required by the 2014 Farm Bill, at least 60 days before initiating a pilot project, the Secretary will submit notice of the proposed pilot project to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate. FSA will also consider any feedback provided to the Secretary in response to that notice.

FSA expects to select at least two to three pilot projects. FSA will announce the pilot projects through news release.

FSA expects that one of the results of the pilot project will help expand service to underserved producers. For example, in remote areas, such as Indian Country, distance and travel time make it extremely difficult to establish the network of contacts essential for effective outreach and to provide technical assistance. FSA lacks the necessary knowledge and staff resources to overcome language and cultural barriers for some minority communities and provide effective outreach and technical assistance. In such situations, partnerships with local organizations could use existing networks and expertise to provide effective outreach and technical assistance and expand participation. This is one example of how FSA may carry out some pilot projects.

In addition to this notice, general information about FSA's administration of FLP is also available on the FSA website at <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=fmlp&topic=landing>.

Signed on September 30, 2014.

Val Dolcini,  
Administrator,  
Farm Service Agency.



